

2003 DRAFTING REQUEST**Bill**Received: **09/24/2003**Received By: **rmarchan**Wanted: **Soon**

Identical to LRB:

For: **Commerce**By/Representing: **julie keal**This file may be shown to any legislator: **NO**Drafter: **rmarchan**

May Contact:

Addl. Drafters: **jkreye**Subject: **Econ. Development - bus. dev.**

Extra Copies:

Submit via email: **YES**Requester's email: **jkeal@commerce.state.wi.us**Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us**
joseph.kreye@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

Development zone and enterprise development zone program changes

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan	jdyer					State
	09/24/2003	09/25/2003					
	jkreye	jdyer					
	09/24/2003	09/25/2003					
/1	rmarchan	jdyer	chaugen		mbarman		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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10/16/2003	10/16/2003						
jkreye	jdye						
10/16/2003	10/16/2003						

09/25/2003	

09/25/2003
mbarman
09/25/2003

/2

rschluet	
10/17/2003	

mbarman
10/17/2003

mbarman
12/01/2003

FE Sent For:

At
Intro.

<END>

see
attached

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	09/24/2003	09/25/2003					
/1	rmarchan	jdyer	chaugen		mbarman		State

LRB-3355

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	10/16/2003	10/16/2003	09/25/2003	_____	09/25/2003		
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	10/16/2003	10/16/2003		_____	09/25/2003		
/2			rschluet	_____	mbarman		
			10/17/2003	_____	10/17/2003		

FE Sent For:

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09/25/2003 01:09:57 PM
Page 1

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By/Representing: **julie keal**

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May Contact:

Addl. Drafters: **jkreye**

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Extra Copies:

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/?	rmarchan 09/24/2003	jdye 09/25/2003					State
	jkreye 09/24/2003	jdye 09/25/2003					

/1		1/2 10/16 jld	chaugen				mbarmann
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10-1623

09/25/2003 01:09:58 PM

Page 2

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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	_____				09/25/2003		

FE Sent For:

<END>

09/24/2003 03:33:01 PM

Page 1

2003 DRAFTING REQUEST

Bill

Received: 09/24/2003

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Wanted: Soon

Identical to LRB:

For: Commerce

By/Representing: julie keal

This file may be shown to any legislator: NO

Drafter: rmarchan

May Contact:

Addl. Drafters: jkreye

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1?	rmarchan	1 9/25 jk	ch 9-25	ch 9-25			

FE Sent For:

<END>

Marchant, Robert

From: Kahler, Pam
Sent: Wednesday, September 24, 2003 2:55 PM
To: Keal, Julie
Cc: Marchant, Robert
Subject: RE: Drafting request for development zones programs

Hi, Julie:

I don't draft economic development any longer, so I'll pass this request on to Rob Marchant. It's nice to hear from you again, though. Rob's in good hands!

Pam

-----Original Message-----

From: Keal, Julie
Sent: Wednesday, September 24, 2003 2:27 PM
To: Kahler, Pam
Subject: Drafting request for development zones programs

I've attached a drafting request for changes to the development zones programs. It pools the credits available to the EDZ and community development zones programs, lifts the \$3 million per EDZ cap, and lifts the 79 EDZ cap. It's part of the Governor's Grow Wisconsin initiative.

I know you used to do our Chapter 560 drafting -- if you don't do it anymore, please pass this on to whoever does it now. Thanks.

Julie Keal
Policy Analyst
Wisconsin Department of Commerce
(608) 266-6748

Pooling of Community Development Zone and Enterprise Development Zone Credits.

This change proposes to statutorily pool all tax benefits available under the Development Zone Program and the Enterprise Development Zone Program in order to meet the most urgent needs of communities and businesses. Under current law, the CDZ program is allocated \$38.155 million in tax benefits {s. 560.785(2)? 560.745(2) (a)}, and up to \$3 million in tax credits to each of 79 EDZs. 2 560.797(5)(b) (a)

The Community Development Zone program currently lacks sufficient credits in its reserve to encourage further growth in the 22 CDZs, which are all located in economically distressed areas of the state. Rather than requesting authority for increased tax credits for the CDZ program, Commerce will seek to utilize unused credit authority from the EDZ program. Commerce has already designated 66 EDZs, to which it has allocated a total of \$122 million in tax credits. Only 17 of those have been allocated the full \$3 million.

Under this proposal, the \$38.155 million allocated to the CDZ program and the \$237 million allocated to the EDZ program (79 EDZs * \$3 million) will be statutorily combined into a \$275.155 million pool. Allocations to both EDZs and CDZs will be made from this pool. In addition, since credits per EDZ will not be capped at \$3 million, Commerce will no longer need to seek statutory authority for Development Opportunity Zones, which typically exceed \$3 million. (79 * 3)



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-3355

RJM

5000

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

9-24-03

Gen

1

AN ACT ...; relating to: tax credits under the development zone and enterprise
development zone programs and limits on the total number of authorized
enterprise development zones.

2

3

Analysis by the Legislative Reference Bureau

*

Currently, the department of commerce (department) is authorized to allocate \$38,155,000 in tax credits to eligible businesses that conduct certain economic activities in areas designated as development zones. In addition, the department is authorized to allocate tax credits to eligible businesses that conduct certain economic activities in areas designated as enterprise development zones. Under current law, the department may allocate up to \$3,000,000 in tax credits per enterprise development zone and, unless a greater number is authorized by the joint committee on finance, may designate up to 79 enterprise development zones. Thus, the total amount of tax credits authorized under the enterprise development zone program is currently \$237,000,000.

This bill pools the total amount of tax credits authorized under the development zone and enterprise development zone programs. Under this bill, the department may allocate a total of \$275,155,000 in tax credits under the development zone program or the enterprise development zone program. The combined total of all tax credits allocated by the department under these programs, though, may not exceed \$275,155,000. This bill also deletes the \$3,000,000 limit on tax credits per enterprise development zone and the limit on the total number of enterprise development zones that the department may designate.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 560.745 (2) (a) ^X of the statutes is amended to read:

2 560.745 (2) (a) When the department designates a development zone under s.
3 560.71, it shall establish a limit for tax benefits for the development zone determined
4 by allocating to the development zone a portion of ~~\$38,155,000~~ [✓] \$275,155,000.

History: 1987 a. 328; 1989 a. 31, 336; 1993 a. 16; 1995 a. 209; 1997 a. ^X27, 103; 1999 a. 9, 32, 193.

5 **SECTION 2.** 560.745 (2) (ar) of the statutes is created to read:

6 560.745 (2) (ar) The total amount of all tax benefits authorized under par. (a)
7 and all tax benefits authorized under s. 560. ⁷⁹⁷ ~~797~~ (2) (a) ⁵ may not exceed ⁶ \$275,155,000. [✓]

8 **SECTION 3.** 560.797 (2) (d) ^X of the statutes is amended to read:

9 560.797 (2) (d) ~~The department may not designate more than 79 enterprise~~
10 ~~development zones unless the department obtains the approval of the joint~~
11 ~~committee on finance to do so.~~ Of the enterprise development zones that the
12 department designates, at least 10 shall be designated under par. (bg).

History: 1995 a. 27 ss. 6936s to 6936v, 9130 (4); 1995 a. 209, 227, ^X417; 1997 a. 3, 27, 39; 1999 a. 9, 32.

13 **SECTION 4.** 560.797 (5) (b) of the statutes is amended to read:

14 560.797 (5) (b) When the department designates an area as an enterprise
15 development zone under this section, the department shall establish a limit, ~~not to~~
16 [✓] ~~exceed \$3,000,000~~, for tax benefits for the enterprise development zone by allocating
17 to the enterprise development zone a portion of \$275,155,000. [✓] The total amount of
18 all tax benefits authorized under this paragraph [✓] and all tax benefits authorized
19 under s. 560.745 (2) (a) may not exceed \$275,155,000. [✓]

History: 1995 a. 27 ss. 6936s to 6936v, 9130 (4); 1995 a. 209, 227, 417; 1997 a. 3, 27, 39; 1999 a. 9, 32.

(END)

Marchant, Robert

From: Keal, Julie
Sent: Wednesday, October 15, 2003 3:22 PM
To: Marchant, Robert
Cc: Wheeler, Bill
Subject: LRB 3355/1

I have a few additions to LRB 3355/1 --

1. 71.07 (2dx) (b) -- ...any person may claim as a credit against taxes ~~imposed on the person's income from the person's business activities in a development zone~~ otherwise due under this chapter the following amounts:

The same change should be made for 71.28 (1dx) (b) and 71.47 (1dx) (b).

2. 71.07 (2dx) (a) 5. -- "Member of a targeted group" means a person who resides in a ~~geographic area~~ ^{my} designated by the federal government to encourage economic revitalization ^{Question} ~~an empowerment zone, or an enterprise community, that the U.S. government designates...~~ of the purpose of

Same change to 71.27 (1dx) (a) 5. and 71.47 (1dx) (a) 5.

Thanks.

Julie Keal
Policy Analyst
Wisconsin Department of Commerce
(608) 266-6748



State of Wisconsin
2003 - 2004 LEGISLATURE

LRB-3355/1

RJMjld:ch

JK

DM not R

2003 BILL

in 10-16-03

SOON

re you

- 1 AN ACT *to amend* 560.745 (2) (a), 560.797 (2) (d) and 560.797 (5) (b); and *to*
2 *create* 560.745 (2) (ar) of the statutes; **relating to:** tax credits under the
3 Development Zone and Enterprise Development Zone programs and limits on
4 the total number of authorized enterprise development zones.

Analysis by the Legislative Reference Bureau

Currently, the Department of Commerce (department) is authorized to allocate \$38,155,000 in tax credits to eligible businesses that conduct certain economic activities in areas designated as development zones. In addition, the department is authorized to allocate tax credits to eligible businesses that conduct certain economic activities in areas designated as enterprise development zones. Under current law, the department may allocate up to \$3,000,000 in tax credits per enterprise development zone and, unless a greater number is authorized by the Joint Committee on Finance, may designate up to 79 enterprise development zones. Thus, the total amount of tax credits authorized under the Enterprise Development Zone Program is currently \$237,000,000.

This bill pools the total amount of tax credits authorized under the Development Zone and Enterprise Development Zone programs. Under this bill, the department may allocate a total of \$275,155,000 in tax credits under the Development Zone Program or the Enterprise Development Zone Program. The combined total of all tax credits allocated by the department under these programs, though, may not exceed \$275,155,000. This bill also deletes the \$3,000,000 limit on

BILL**INSERT A** ✓

tax credits per enterprise development zone and the limit on the total number of enterprise development zones that the department may designate.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

INSERT 2-1 ✓
The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 560.745 (2) (a) ✓ of the statutes is amended to read:

2 560.745 (2) (a) When the department designates a development zone under s.
3 560.71, it shall establish a limit for tax benefits for the development zone determined
4 by allocating to the development zone a portion of ~~\$38,155,000~~ \$275,155,000.

5 **SECTION 2.** 560.745 (2) (ar) ✓ of the statutes is created to read:

6 560.745 (2) (ar) The total amount of all tax benefits authorized under par. (a)
7 and all tax benefits authorized under s. 560.797 (5) (b) may not exceed \$275,155,000.

8 **SECTION 3.** 560.797 (2) (d) ✓ of the statutes is amended to read:

9 560.797 (2) (d) ~~The department may not designate more than 79 enterprise~~
10 ~~development zones unless the department obtains the approval of the joint~~
11 ~~committee on finance to do so.~~ Of the enterprise development zones that the
12 department designates, at least 10 shall be designated under par. (bg).

13 **SECTION 4.** 560.797 (5) (b) ✓ of the statutes is amended to read:

14 560.797 (5) (b) When the department designates an area as an enterprise
15 development zone under this section, the department shall establish a limit, ~~not to~~
16 ~~exceed \$3,000,000,~~ for tax benefits for the enterprise development zone by allocating
17 to the enterprise development zone a portion of \$275,155,000. The total amount of
18 all tax benefits authorized under this paragraph and all tax benefits authorized
19 under s. 560.745 (2) (a) may not exceed \$275,155,000.

20

(END)

INSERT 2-19 ✓

2003-2004 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3355/2ins

JK::

INSERT A

Under current law, a business that is eligible to claim the development zones tax credit may claim as a credit an amount that is based in part on the number of jobs the business creates in the development zone that are filled by members of a targeted group. A member of a targeted group includes a person who resides in a location that the federal government designates as an empowerment zone or an enterprise community. Under current law, a business that claims a development zones tax credit may claim the credit only against the taxes imposed on the income derived from business activities in the development zone.

Under the bill, a member of a targeted group includes a person who resides in a location that the federal government designates for the purpose of encouraging economic revitalization, rather than a location that the federal government designates as an empowerment zone or an enterprise community. Under the bill, a business that claims a development zones tax credit may claim the credit against the amount of the taxes imposed on all of the income of the business, regardless of whether the income is derived from business activities in the development zone.

INSERT 2 - 1

SECTION 1. 71.07 (2dx) (a) 5. of the statutes is amended to read:

71.07 (2dx) (a) 5. "Member of a targeted group" means a person who resides in ~~an empowerment zone, or an enterprise community, that the U.S. government~~ designates ^a location designated by the federal government for the purpose of encouraging economic revitalization, a person who is employed in an unsubsidized job but meets the eligibility requirements under s. 49.145 (2) and (3) for a Wisconsin works employment position, a person who is employed in a trial job, as defined in s. 49.141 (1) (n), a person who is eligible for child care assistance under s. 49.155, a person who is a vocational rehabilitation referral, an economically disadvantaged youth, an economically disadvantaged veteran, a supplemental security income recipient, a general assistance recipient, an economically disadvantaged ex-convict, a qualified summer youth employee, as defined in 26 USC 51 (d) (7), a dislocated worker, as defined in 29 USC 2801 (9), or a food stamp recipient; if the person has

INS 2-1
cont

1 been certified in the manner under sub. (2dj) (am) 3. by a designated local agency,
2 as defined in sub. (2dj) (am) 2.

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109.

3 **SECTION 2. 71.07 (2dx) (b) (intro.)** of the statutes is amended to read:

4 71.07 (2dx) (b) *Credit.* (intro.) Except as provided in pars. (be) and (bg) and
5 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
6 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
7 560.797 (4) or 560.798 (3), any person may claim as a credit against the amount of
8 the taxes imposed on the person's income from the person's business activities in a
9 development zone otherwise due under this subchapter the following amounts:

History: 1987 a. 312; 1987 a. 411 ss. 63, 79 to 82, 85, 86; 1987 a. 419, 422; 1989 a. 31, 44, 56, 100, 359; 1991 a. 39, 269, 292; 1993 a. 16, 112, 204, 471, 491; 1995 a. 27 ss. 3377m to 3393m, 9116 (5); 1995 a. 209, 227, 400, 453; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9, 10, 32; 1999 a. 150 s. 672; 1999 a. 198; 2001 a. 16, 109.

10 **SECTION 3. 71.28 (1dx) (a) 5.** of the statutes is amended to read:

11 71.28 (1dx) (a) 5. "Member of a targeted group" means a person who resides
12 in ~~an empowerment zone, or an enterprise community, that the U.S. government~~
13 designates ^a location designated by the federal government for the purpose of
14 encouraging economic revitalization, a person who is employed in an unsubsidized
15 job but meets the eligibility requirements under s. 49.145 (2) and (3) for a Wisconsin
16 works employment position, a person who is employed in a trial job, as defined in s.
17 49.141 (1) (n), a person who is eligible for child care assistance under s. 49.155, a
18 person who is a vocational rehabilitation referral, an economically disadvantaged
19 youth, an economically disadvantaged veteran, a supplemental security income
20 recipient, a general assistance recipient, an economically disadvantaged ex-convict,
21 a qualified summer youth employee, as defined in 26 USC 51 (d) (7), a dislocated
22 worker, as defined in 29 USC 2801 (9), or a food stamp recipient; if the person has



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2-1 cont

1 been certified in the manner under sub. (1dj) (am) 3. by a designated local agency,
2 as defined in sub. (1dj) (am) 2.

History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16.

3 **SECTION 4. 71.28 (1dx) (b) (intro.)** of the statutes is amended to read:

4 71.28 (1dx) (b) *Credit.* (intro.) Except as provided in pars. (be) and (bg) and
5 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
6 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
7 560.797 (4) or 560.798 (3), any person may claim as a credit against the amount of
8 the taxes imposed on the person's income from the person's business activities in a
9 development zone otherwise due under this subchapter the following amounts:

History: 1987 a. 312; 1987 a. 411 ss. 88, 130 to 139; 1987 a. 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292; 1993 a. 16, 112, 232, 491; 1995 a. 2; 1995 a. 27 ss. 3399r to 3404c, 9116 (5); 1995 a. 209, 227; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16.

10 **SECTION 5. 71.47 (1dx) (a) 5.** of the statutes is amended to read:

11 71.47 (1dx) (a) 5. "Member of a targeted group" means a person who resides
12 in ~~an empowerment zone, or an enterprise community, that the U.S. government~~
13 ^adesignates location designated by the federal government for the purpose of
14 encouraging economic revitalization, a person who is employed in an unsubsidized
15 job but meets the eligibility requirements under s. 49.145 (2) and (3) for a Wisconsin
16 works employment position, a person who is employed in a trial job, as defined in s.
17 49.141 (1) (n), a person who is eligible for child care assistance under s. 49.155, a
18 person who is a vocational rehabilitation referral, an economically disadvantaged
19 youth, an economically disadvantaged veteran, a supplemental security income
20 recipient, a general assistance recipient, an economically disadvantaged ex-convict,
21 a qualified summer youth employee, as defined in 26 USC 51 (d) (7), a dislocated
22 worker, as defined in 29 USC 2801 (9), or a food stamp recipient; if the person has

INS 2-1
cont

1 been certified in the manner under sub. (1dj) (am) 3. by a designated local agency,
2 as defined in sub. (1dj) (am) 2.

History: 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16.

3 **SECTION 6.** 71.47 (1dx) (b) (intro.) of the statutes is amended to read:

4 71.47 (1dx) (b) *Credit.* (intro.) Except or provided in pars. (be) and (bg) and
5 in s. 73.03 (35), and subject to s. 560.785, for any taxable year for which the person
6 is entitled under s. 560.795 (3) to claim tax benefits or certified under s. 560.765 (3),
7 560.797 (4) or 560.798 (3), any person may claim as a credit against the amount of
8 the taxes imposed on the person's income from the person's business activities in a
9 development zone otherwise due under this subchapter the following amounts:

History: 1987 a. 312, 411, 422; 1989 a. 31, 44, 56, 100, 336, 359; 1991 a. 39, 292, 315; 1993 a. 16, 112; 1995 a. 27 ss. 3407m to 3412m, 9116 (5); 1995 a. 209, 227, 417; 1997 a. 27, 41, 237, 299; 1999 a. 5, 9; 2001 a. 16.

INSERT 2 - 19

10 **SECTION 7. Initial applicability.**

11 (1) The treatment of sections 71.07 (2dx) (a) 5. and (b) (intro.), 71.28 (1dx) (a)
12 5. and (b) (intro.), 71.47 (1dx) (a) 5. and (b) (intro.) of the statutes first applies to
13 taxable years beginning on January 1, 2004.

(end ins 2-19)

Barman, Mike

From: Marchant, Robert
Sent: Monday, December 01, 2003 9:31 AM
To: Barman, Mike
Subject: FW: LRB 3355/2

Go ahead, Mike.

-----Original Message-----

From: Henderson, Patrick - Office of Governor Jim Doyle
Sent: Monday, December 01, 2003 9:30 AM
To: Marchant, Robert
Subject: RE: LRB 3355/2

It is OK to have the bill drafted for Rep. Vruwink. Thank you for checking with me. If you have any questions, please feel free to give me a call.

Patrick Henderson
Office of Governor Jim Doyle
Legislative Liaison
(608) 266-1338

-----Original Message-----

From: Marchant, Robert
Sent: Monday, December 01, 2003 9:29 AM
To: Henderson, Patrick - Office of Governor Jim Doyle
Cc: Anderson, John
Subject: RE: LRB 3355/2

Patrick--

Will you please confirm that it is o.k. to jacket the draft below for Rep. Vruwink?

Rob Marchant

-----Original Message-----

From: Anderson, John
Sent: Wednesday, November 26, 2003 3:11 PM
To: Marchant, Robert
Cc: Henderson, Patrick - Office of Governor Jim Doyle
Subject: LRB 3355/2

Rob, can you have this LRB draft jacketed for Rep. Amy Sue Vruwink? the Gov's office had it drafted, but we will be introducing it.

Thank you.

John G. Anderson
Office of Rep. Amy Sue Vruwink
70th District
608-266-8366



State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

1 EAST MAIN, SUITE 200
P. O. BOX 2037
MADISON, WI 53701-2037

LEGAL SECTION: (608) 266-3561
REFERENCE SECTION: (608) 266-0341
FAX: (608) 264-6948

STEPHEN R. MILLER
CHIEF

January 20, 2004

MEMORANDUM

To: Representative Vruwink

From: Joseph T. Kreye, Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **AB-722** (LRB 03-3355/2)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

January 14, 2004

TO: Joseph Kreye
Robert Marcham
Legislative Reference Bureau

FROM: Dennis Collier
Department of Revenue

SUBJECT: Technical Memorandum on AB 722: Development Zone and Enterprise
Development Zone Program Changes

The Department has the following comments regarding the provision that would allow credits to offset all income of the business.

- The drafter's note states that the change is intended to allow the credit against all income of the business, regardless of whether the income is from business activities in the development zone. However, as drafted, the credit would offset tax on all individual income, whether or not it is income from the business. If the sponsor's intent is to offset only income from the business, then sec. 71.07 (2dx)(b)(intro.) should be revised
- It is unclear if the change is intended to apply only to new credit claims or to unused credit carryforward. If the change is intended to apply to current credit claims and to carryforward from prior years, the Department recommends that the initial applicability language be split into two sentences, one dealing with the definition of a targeted group member and the other with the credits. The sentence dealing with the credits should state that the changes first apply to credits claimed for taxable years beginning on January 1, 2004, including unused credits carried forward from prior years to taxable years beginning on January 1, 2004.
- The initial applicability date would be a problem if the bill were enacted late in the year after forms for 2004 have been sent to the printer. It is preferable to provide that if the bill takes effect after July 31, it would first apply to taxable years beginning on January 1 of the year following the year in which it takes effect.

The proposed legislation makes no provision for the funding of the costs involved in administering the activities required. The Department anticipates costs for computer programming and development time. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>
one-time	s. 20.566 (1) (a)	\$20,000

If you have questions regarding this technical memorandum, please contact Pam Walgren at 266-7817; for administrative costs, contact Julie Feavel at 267-9892.